



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Subcommittee on International Human Rights of the Standing Committee on Foreign Affairs and International Development

SDIR • NUMBER 072 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, September 26, 2017

—
Chair

Mr. Michael Levitt

Subcommittee on International Human Rights of the Standing Committee on Foreign Affairs and International Development

Tuesday, September 26, 2017

• (1310)

[English]

The Chair (Mr. Michael Levitt (York Centre, Lib.)): Good afternoon, everyone. I'm going to call this meeting to order.

We are here to begin our study on the human rights situation regarding natural resource extraction within Latin America. This is a topic that we've addressed on a number of occasions in isolation, but it's a topic brought to us by our colleague Cheryl Hardcastle that we're going to be looking at.

Today we're going to be hearing from individuals from the Department of Foreign Affairs. We have with us Duane McMullen, director general, trade commissioner service, operations, who will lead off, and Jeffrey Davidson, extractive sector corporate social responsibility counsellor. If we can, we'll do 10 minutes for each of you gentlemen.

I know there are other members, and I'll introduce them.

Martin Benjamin is the director general, North American strategy bureau.

Sylvia Cesaratto is the director, South America, bilateral relations division, and Tarik Khan is the director general, Central America and Caribbean bureau.

Mr. McMullen, if we can, we'll have you lead off for 10 minutes, and then we'll hear from Mr. Davidson. Then we'll open it up to questions from the members of the subcommittee. Please go ahead.

Mr. Duane McMullen (Director General, Trade Commissioner Service - Operations, Department of Foreign Affairs, Trade and Development): Thank you, Mr. Chair.

Responsible natural resource management is essential to generating sustainable economic benefits. Many countries in Latin America are actively promoting investment in the natural resources sector as a means to generate important domestic revenues and create significant direct and indirect employment opportunities. Latin America has tremendous potential, but challenges remain, including in the areas of corruption, human rights, and environmental management.

Canada has a long history of engagement with the countries of Latin America. Our relationship with the region is dynamic and multi-faceted and spans the expanse of political engagement, robust

commercial relations, significant development assistance, and important security programming.

We will continue to work in partnership with the region to advance common interests such as defending human rights, promoting democratic principles, fostering strong and inclusive economic growth, and improving safety and security for all.

Several of Canada's institutions are playing a role in this process, including government, civil society, and the private sector.

Canada's private sector is playing a big part—even if sometimes it does not recognize this—Canadian mining and oil and gas companies, in particular. By its significant presence, which I will describe in a moment, the Canadian private sector has taken on responsibilities that go far beyond simply “doing business” narrowly defined. The Government of Canada wants to see the Canadian private sector make a positive contribution to the development of the countries where they are invested. We have a number of tools to guide this. We make active use of these tools.

It is a journey, not a destination. We can be proud of what Canada is doing, even as we recognize that much more could be done. The subcommittee chair has invited Global Affairs Canada to speak about Canada's extractive sector specifically, in particular its impact on human rights in Latin America.

First, Canada's extractive sector has over \$90 billion invested in Latin America, approximately 340 companies with 930 projects in almost every country in Latin America.

Spending by Canadian extractive firms in Latin America on local salaries, purchases from local businesses, local taxes, and royalties is vastly in excess of Canada's total worldwide development assistance spending. Some firms are by far the largest taxpayer in the country where they operate, and they provide large numbers of some of the best paid jobs in that country. There are individual Canadian firms whose total local spending rivals Canada's total development assistance spending. It becomes difficult to count employees and subcontractors, but there are probably in the hundreds of thousands.

That is to say that, if a Canadian mining company operating in Latin America thinks that all it is doing is moving rock, it is mistaken. Given the weak local governance capacity in many countries, Canadian companies are often expected to contribute to the delivery of basic services such as roads, water, electricity, health care, and education. This of course raises their profile and the expectations put upon them as they are pulled into the web of local governance relationships. But companies cannot replace local governments, which need to be responsible for the delivery of public services, as well as other areas of governance, including the administration of justice, local democracy, and public security.

Our development assistance programs in many of these countries are helping to build local and national capacities to manage resource extraction responsibly and in full accordance with human rights norms. This is where our ambassadors, as well as our political, trade, and development staff at our embassies, work together to make a difference. You will not meet a more dedicated group of people than Canada's diplomats working in our missions in Latin America and the locally engaged staff who work shoulder to shoulder beside them. It is our task here in Ottawa to provide them with the support they need so that Canada plays its part to support the development of Latin America.

While our diplomats work with local governments, civil society, and the private sector, the committee is asking specifically about Canadian extractive firms. We carry out our policy toward Canadian extractive enterprises as follows: First, we encourage best practice. How companies should operate to provide peace, order, and good government around their projects is intensely studied and increasingly well understood by both us and the business community. There are numerous useful and helpful sets of standards and guidelines about how to do this in a wide range of areas.

- (1315)

Firms that adopt such practices do provide good governance. Their projects are also more successful.

We provide training to our diplomats on how to recognize good projects, healthy governance, and early signs of trouble. We expect our diplomats to speak up when they see something they think is not right.

While our individual missions in Latin America are small, they can call on support from Ottawa when needed. We have experts to provide advice not least of whom is our extractive sector counsellor for corporate social responsibility, Jeffrey Davidson. Canada is the only country in the world to have such an office.

Canada has a good reputation across Latin America. With this reputation comes convening power. We expect our diplomats to use their convening power to help bring polarized factions together. This helps build muscle memory in the practice of politics: arguing, disagreeing, understanding, and compromising. We provide and have provided financial and technical support for hundreds of mini-initiatives that bring such parties together to practise and build these essential skills.

This approach also explains our second objective. We try to catch problems early, while they are small and before they become big problems. In our experience, we can catch the small problems.

Unattended, the small problems can become big problems and much harder to remedy.

When there is a big problem, we have the capacity to work with all involved parties to reach remedy. Our primary mechanism is the national contact point, a Canadian obligation as a member of the OECD. The national contact point, NCP, supports the *OECD Guidelines for Multinational Enterprises* and deals with issues that may arise. These guidelines are the result of extensive multilateral discussion and consensus and there is considerable peer support for their proper implementation.

Canada's NCP brings together experts from seven government departments to handle tough cases. This approach gives us access to a broad range of resources, expertise, and experience, whether it is on issues of environment, labour, human rights, tax, or indigenous rights.

While our processes are voluntary, Canada is unique in the world in having a sanction for firms that do not act in good faith to work with our processes to understand a situation and reach remedy. A sanctioned firm is named publicly and loses access to Canadian diplomatic support. We make aggressive use of our sanction to lever and encourage good faith efforts by firms to work with impacted parties to remedy problems.

Though best results are achieved on the ground, one project, community, and company at a time, we also recognize that the best solution is that these countries themselves develop effective governance capacity. Helping governments in the region build this capacity for the sustainable management of natural resources is a priority for us and in line with Canada's new feminist foreign policy agenda.

In closing, I hope this has been helpful to the subcommittee in understanding Canada's approach to these issues. Along with my colleagues, I would be happy to respond to questions.

The Chair: Thank you very much, Mr. McMullen.

We will now move to Mr. Davidson. You have 10 minutes, sir.

Mr. Jeffrey Davidson (Extractive Sector Corporate Social Responsibility Counsellor, Department of Foreign Affairs, Trade and Development): Thank you, honourable chairperson and members of the subcommittee, for inviting me here today to share my thoughts and experience. I have been Canada's extractive sector corporate social responsibility counsellor since May 2015. A counsellor is a Governor in Council appointee, has a fixed-term contract, and reports directly to the Minister of International Trade. I'm positioned to provide unvarnished advice and make suggestions to the minister. The counsellor speaks his mind, and my public statements reflect my own assessment of situations and issues. I bring to the role a mixed experience spanning 35 years in academia, the private sector, multilateral institutions, and now the federal government of Canada.

The work of the counsellor is carried out through the agency of the office of the extractive sector corporate social responsibility counsellor, which is now based in Ottawa and staffed by the counsellor and two junior technical staff. The office functions with limited administrative and budgetary support.

Today, the office takes a proactive and preventative approach to promoting good practice and minimizing the risk of conflict around extractive projects. What does this mean in terms of the way we actually work? We speak at public gatherings but also meet with companies and other stakeholders individually to explain Canada's CSR policy and expectations. We contact companies directly when we hear of a situation at a project site that concerns us. We serve as a resource on CSR good practice, not just for companies but also for diplomats and trade commissioners on post, as well as for civil society, organizations, and academia. We are often contacted by companies, by diplomats, and even by country-based NGOs when they face difficult situations and seek our advice.

We have expanded the boundaries of outreach to those places where Canadian companies are operating outside of Canada. I have now visited six countries in Latin America and two in Africa with the intent of gaining a deeper and more nuanced understanding of country-specific contexts, of the issues and challenges surrounding resource development, and of the concerns and aspirations of local citizens and governments.

During the past year, I visited Honduras, Guatemala, Panama, and Argentina. In order to understand all perspectives, we meet with host country government officials, academia, and civil society organizations in country, project-affected community representatives, and Canadian companies.

Country trips also include project site visits. Last year, accompanied by Canadian diplomatic staff, we visited eight Canadian operations to see and hear with our own eyes and ears how different Canadian companies address social and environmental issues and impacts, how they build relationships with local communities and government authorities, and how local stakeholders and impacted peoples perceive and respond to their presence.

On our website is a list of stakeholders with whom we have met. The visits also serve as a limited but useful exercise in country and project-specific fact-finding. On our website, you can also find the Honduras country trip overview. This report provides insights into the complicated nature of the relationships between a host country government, foreign-owned companies, civil society groups, and local communities. It also highlights the difficulties that the various actors have in finding common ground to resolve whatever issues divide them.

• (1320)

Country visits have allowed us to directly advise Canadian companies on how they should and could improve their social and environmental performance at their project sites. There is a commonality of critical issues and concerns that cut across the region, including, for example, consultation and consent, water use and quality, environmental contamination and health impacts, land acquisition and resettlement, the integrity of traditional livelihoods and protection of sacred sites, competition over access to natural resources, the use of public or private security forces, jobs and

decent work for local people, project closure and potential abandonment by companies, and benefit sharing with project-affected communities.

These concerns are not specific to Canadian oil, gas, and mining companies but are characteristic of the extractive industry in general. When these concerns are not responsibly addressed by host country governments, by extractive companies whether foreign or domestic, and by civil society organizations, they can degenerate into situations that open the door to potential human rights abuses.

I'd like to share a few examples of how the office has attempted to promote new conversations around difficult issues that have clear human rights implications. In Colombia in June we coordinated and moderated a multi-stakeholder dialogue on the roles and responsibilities of different actors, including government, civil society, communities, and the private sector in building peace in a post-conflict state with special attention to the role of the extractive sector.

In Honduras, with the Canadian ambassador in tow, we spent two days in the field meeting with community representatives, national NGOs, the local human rights commissioner, and project site managers to support local efforts to find solutions that would work for all parties. In Argentina, where mining is still in its infancy but has faced public scrutiny and skepticism, we participated in a special meeting of parliamentarians to help them better understand the risks and opportunities presented by extractive activities and what policy initiatives might work for Argentina as a federal state like Canada.

Should the office come across a Canadian company that is not acting in good faith or is behaving in a way that I would regard as irresponsible or unacceptable, then I, as the counsellor, am ready to recommend the denial or withdrawal of Canadian economic diplomacy. This approach is different for those companies that, acting out of ignorance, negligence, or misunderstanding, create problems for themselves and for others but are willing and committed to rectifying situations and rebuilding positive relationships.

Of all of the OECD countries that serve as home for extractive companies with international interests, Canada has taken, in my opinion, the most progressive and aggressive approach to promoting and attempting to assure responsible conduct and respect for human rights by its own companies.

There are those, at home and abroad, who question whether Canada is doing enough, whether we should be doing more given the scope and scale of Canadian oil, gas, and mining activity abroad. What that "more" should be or look like has been the focus of ongoing private as well as public discussions within government and within the broader civil society community.

I leave you with that thought.

Thank you.

• (1325)

The Chair: Thank you very much, Mr. Davidson.

We will move right into the first round of questions, and we are going to begin with MP Sweet.

Mr. David Sweet (Flamborough—Glanbrook, CPC): Thank you to the witnesses for their service to Canada.

The numbers are staggering for the problems in the extractive sector in Latin America. I have a couple of numbers here, but one I thought was extraordinarily staggering was that the ombudsman's office in Peru got 177 social conflicts in one month, July 2017, and 73% of those were derived from the extractive sector, so there is cause for concern.

Of course, there are a lot of players in the extractive sector, not just Canada, but Canada makes up 50% to 70%, so it is a large player.

Mr. McMullen, you said we expect diplomats to speak up when they see something they think is not right. Do they record those interactions when they think something isn't right? Is there a record of those, of how many interactions they have had and commenting on the way Canadian companies operate?

Mr. Duane McMullen: We don't keep specific tracking records, but we do get referrals from our diplomats abroad. Depending on the situation they are reporting on, we will deploy one of our experts, such as Mr. Davidson, to follow up.

Most of the issues are complex situations that reflect the need to develop social capital in those areas and the need to develop grievance mechanisms and ways people can make their voices heard and have their concerns resolved.

• (1330)

Mr. David Sweet: That's good, Mr. McMullen. Thanks. I'm limited on time.

You mentioned that a sanctioned firm "is named publicly and loses access to Canadian diplomatic support", trade advocacy and economic support. Could you tell me how many Canadian companies have been sanctioned to date?

Mr. Duane McMullen: We have publicly sanctioned one company to date, but we have threatened sanction to many companies to help encourage their good faith efforts to resolve issues.

Mr. David Sweet: Thank you.

Mr. Davidson, Hudbay Minerals, Tahoe Resources, and Chevron are presently awaiting their cases to be heard in Canadian courts. Did your office prior to you, or you yourself, have any interaction with these before a suit was brought against them?

Mr. Jeffrey Davidson: From what I can tell, there were no interactions with companies or situations in Guatemala involving the previous counsellor.

Mr. David Sweet: My understanding is that you have intervened or at least written reports on six cases to date, and five are closed. Is that right, or are there more now in the counsellor's office?

Mr. Jeffrey Davidson: There were six cases, which were reviewed by the previous counsellor and closed prior to her departure from the seat. We have not received any formal requests for review.

Mr. David Sweet: None to date?

Mr. Jeffrey Davidson: None to date.

Mr. David Sweet: Thank you for that.

The present government made a commitment that they would "set up an independent ombudsman office to advise Canadian companies, consider complaints made against them, and investigate those complaints where it is deemed warranted." This was a commitment made in 2015.

Would there be any difference in that scenario, compared to the capability that you have right now?

Mr. Jeffrey Davidson: Probably yes. It would mean more dedicated resources, a better implementing architecture for carrying out the mandate that currently exists, and a stronger architecture that provides the ombudsperson or the counsellor with more resources to work with.

Mr. David Sweet: Are you suggesting extraterritorial legislation?

Mr. Jeffrey Davidson: I am not a lawyer, and I am not suggesting that.

Mr. David Sweet: Okay. Could you tell me what you are suggesting? What kinds of resources would you need to be more effective?

Mr. Jeffrey Davidson: Speaking my own mind and my own opinion, I believe a hybrid approach is required that allows for preventative authority, as well as regulatory authority and judicial authority.

The court system has now been open to listen to cases. We've been experimenting with how we can improve the implementation effectiveness of a preventative approach through the office of the counsellor. The question is whether something more is still required, and whether, if we had greater resources as a preventative mechanism, we could do even more than we have done.

Mr. David Sweet: Let me speculate. You mentioned a couple of cases where you are in the field educating right now, but you would even be looking, in some cases, at the plans a Canadian company would have going into a territory, to be able to see first-hand, before they start the project, to make sure you could prevent any kind of negative eventuality from happening.

Would that be the kind of thing you're talking about?

Mr. Jeffrey Davidson: That would be an extension of the mandate, which could bear some positive fruits, if companies were willing to share more. In fact, we've argued and suggested that there be more social and environmental disclosure up front, whether through the agency of the Toronto Stock Exchange or other mechanisms, so that risks and opportunities are identified very early on and open the door to our involvement with a broader community of players, including the juniors.

The Chair: Thank you very much.

We'll now move to MP Khalid, please.

Ms. Iqra Khalid (Mississauga—Erin Mills, Lib.): Thank you, Chair.

Thank you to everybody who came in to testify today.

I'd like to start with you, Mr. McMullen. You mentioned briefly in your statement today Canada's commitment to ensuring rights for women in industries like this. How can Canada promote women's rights and gender equality through its trade and investment in extractive industries in the Americas?

• (1335)

Mr. Duane McMullen: I'm looking to my colleagues.

Go ahead, Tarik.

Mr. Tarik Khan (Director General, Central America and Caribbean Bureau, Department of Foreign Affairs, Trade and Development): I think if you take a look at our feminist international assistance policy that was released earlier this year, you'll see a mention, particularly in the section "Growth that works for everyone", about the importance of feminizing how we approach supporting economic opportunities for women writ large, and in all sectors.

In the extractive sector it's quite interesting, because certainly there can be a lot more involvement of women in the supply chains that support extractive sector activities, obviously at the consultation process in terms of the impact of a particular company's operations on a community. Then, of course, at all levels of the value chain, of the supply chain, there are opportunities for the greater involvement of women. For example, you could have a small community where a company is active and they need certain things in their supply chain. It could be preparing uniforms, or making things that involve manufacturing, such as small-scale manufacturing and fabrication. Women can clearly work, obviously, in that aspect of the supply chain. Then, of course, we encourage companies to be equal opportunity employers as well for their actual operation itself.

Ms. Iqra Khalid: What kinds of challenges do women face in this industry?

Mr. Tarik Khan: I think it depends on which industry, on whether you're talking about mining versus oil and gas. They are of course quite different. I think mining has traditionally been a very male-dominated occupation, even here in Canada as well. In oil and gas there's a lot of opportunity, particularly in various aspects of a company's operations. We do see a fair number of women active in oil and gas operations.

There are the operations of the company and then there are the value chains. Really, if local leaders identify a need for more economic activity, more diversification of economic activity, in a community affected by the sector, let's say, we certainly encourage women to get more involved in various aspects of the value chain. But the obstacles are not faced exclusively by women. They are the challenges of any rural community getting involved in the value chain when a company enters the community.

Ms. Iqra Khalid: Thank you.

Mr. Davidson, in your testimony you mentioned that you interact a lot with companies that are on the ground operating. Can you explain some situations where companies would reach out to you to seek support? And what kind of support do you provide for them?

Mr. Jeffrey Davidson: There are a couple of types of interactions. Sometimes companies call and say, "Jeffrey, we want to give you a heads-up. We know that we have some difficulties approaching. This

is what's coming down the pipeline, and you should be aware." Or they call and say, "This is what has happened in the field. Would you like more information? We'd like your thoughts on how we're approaching this and responding to it."

We've also.... I'm getting too old for this, I think.

Voices: Oh, oh!

Mr. Jeffrey Davidson: If I can just move to the side here, there are the ambassadors themselves, too. We've had calls from ambassadors in the field, again asking for advice on particular situations they're faced with and how they might approach dealing with companies or dealing with government on these situations.

When we're in the field and we see what's going on, we talk to the company about things we see that concern us. We ask questions: "Why are you doing it this way? Why are you not doing that?" When we come back to Canada, we often re-engage with the head office teams to follow up and say, "Well, these are our thoughts. These are our suggestions. This is what we suggest you do going forward." We try to monitor that and continue to have conversations around the sites that we've visited where we have seen things and practices that can be improved.

• (1340)

Ms. Iqra Khalid: Do you provide a gender lens on some of your feedback to companies?

Mr. Jeffrey Davidson: Thus far, we do not, although I should say that when I worked for industry, for Rio Tinto, I was part of a team that authored a guidance manual called *Why gender matters*. Our interest was in ensuring that operations, people at sites, had the tools and the understanding available to them to recognize the impacts that mining activities might have on gendered relationships outside the gate, in the communities that are impacted or affected by the operations: that balances can shift and change; that women can be put at a disadvantage in a new situation, and so on.

Ms. Iqra Khalid: Mr. McMullen.

Mr. Duane McMullen: Through the Devonshire Initiative, an NGO that brings companies, NGOs, and academia together, there are active efforts ongoing now with the mining companies to quantify gender impacts and measure them. As we've seen in many other areas, once you start with that as a baseline, you can set targets and make progress. Work is very advanced in this area. It is a priority for us and for the mining sector to get a better understanding on those issues.

Ms. Iqra Khalid: Have there been reports generated on that?

Mr. Duane McMullen: I'm not sure if they've reached the publication stage yet. Devonshire Initiative could speak better to that, or the mining industry if you're talking to them later.

Ms. Iqra Khalid: Thank you.

The Chair: We're now going to move to MP Hardcastle.

Ms. Cheryl Hardcastle (Windsor—Tecumseh, NDP): Thank you, Mr. Chair, and thank you, gentlemen, for your testimony today.

Mr. McMullen, in your testimony earlier you described Canada as unique in the world in the process we have for sanction and redress. How can you help us look forward in terms of some tangible recommendations, as Mr. Davidson has alluded to as well? It is problematic that our process is indeed unique. It is a voluntary process, and that's what part of what we need to be able to examine in a more fulsome way as a committee.

In terms of our membership in the OECD and some of the recommendations they have made to Canada, what do you see as a way we can move forward with this process so that the diplomatic support that you were talking about is still there but has the resources, or the teeth? Maybe you could talk a little about that, and then perhaps your comments could allow a springboard for Mr. Davidson as well.

Mr. Duane McMullen: Canada is unique in having a sanction where we will deny diplomatic support and we will say so publicly to a Canadian company that's not acting in good faith. This is the topic of much conversation at the OECD. Several countries have come to us and asked how we implement it. They are actively studying it.

I have mixed feelings in saying that we might not be unique for much longer, but right now, this is an area where we are ahead of our peer countries in the OECD.

In terms of recommendations that the OECD has made to Canada, it's a matter of public record, but they believe the government, for instance, should create a multi-stakeholder advisory body so that we bring industry, academia, and civil society together in the same room to be a challenge function to our policy and to provide advice on our policy. That is something that Canada has not done yet; it is a recommendation that is outstanding from the OECD.

They've also recommended that we be more, how shall I say this, verbose in our statements around individual cases when we do publish our final reports.

• (1345)

Ms. Cheryl Hardcastle: In the interest of time, those of us who are here have done our research. We don't need you to reiterate the recommendations, but rather, pull from them how you believe we can move forward so that our voluntary system can actually be fortified with something enforceable. We're exploring the existing legislative environment right now.

Maybe you want to pull from the recommendation you just spoke about and expand on it, or just turn it over to Mr. Davidson, because we know the recommendations. Thank you.

Mr. Duane McMullen: Okay. My role here, Mr. Chairman, is to defend and explain our existing policy, not to be able to comment on the directions the policy may go. But certainly legislation is an option that could be considered. But maybe I will pass to my colleague Jeffrey Davidson, who might want to go a little bit farther in that regard.

Mr. Jeffrey Davidson: Well, I haven't seriously turned my attention to specific recommendations. However, in my third year, which has started, one of the aims or objectives and key elements of our work plan is to begin to lay out some of the lessons learned, some of the gaps and omissions that the government should consider

redressing or strengthening. I hope that this will not be an alone exercise, that I'll be able to talk to others to incorporate not only my own thoughts and ideas but those of others in the final reports I prepare for the minister, hopefully, and for Parliament.

Ms. Cheryl Hardcastle: Thank you.

I certainly wasn't expecting, when you bring testimony here, that you're going to come with succinct recommendations and that our work is done for us. But this is a trail-blazing conversation—you probably all realize this—and we need to have an enlightened discussion. With all due respect for your time in preparing your statement and the work you've done here, we do really believe that Canadians and the members of Parliament who are around this table here deserve to hear from you your educated perspective on this, not just your role in defending what exists.

I take exception to that. I'm not really comfortable with people sitting here and telling us that. And I don't mean that in a confrontational way. I just mean this needs to be a springboard for meaningful discussion. And, yes, we're the ones who are going to have to do the hard work and make a recommendation or say that, you know what, this status quo is satisfactory. So I just want to clarify that.

Thank you.

The Chair: Thank you, MP Hardcastle.

We are now going to move to MP Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thanks very much.

Thank you to all of you for being here today. I appreciated the note about the OECD. I wasn't aware of those conversations that have been happening, so thank you for shedding light on that.

Mr. Davidson, you mentioned at the outset that you have experience in academia, you've worked in the private sector, and obviously you're in your current role. It's a wide breadth of experience. Could you comment in very general terms about where you think the Canadian extractive sector is, or rather where we rank on a global level when it comes to devotion to CSR activities and principles? It sounds as if you're interacting with a number of companies in the field. I think you said there's one company that is a particularly bad case, but by and large, there seems to be buy-in on the part of the Canadian private sector that are engaged in extraction when it comes to CSR. Could you comment on that?

Mr. Jeffrey Davidson: It's more complicated than that. I do believe that given the scope and scale of Canadian activity, and the constraints and limitations of the mechanisms that we have in place, we have to operate on the presumption that companies are working in good faith. And we have to rely oftentimes on others to bring difficult situations to our attention if we don't find them ourselves.

I have to say that with the major companies most of them are leaders and pioneers in this area. They make mistakes and they have sometimes created problems for themselves. Part of that is related to the fact that their understanding is limited, or their management system is not appropriate. They do micro-management from the centre for problems on the ground that they don't truly understand, and they create problems and errors for themselves and their teams.

Where we have a bigger challenge is in the junior exploration and mining community, where they work to a different drummer, so to speak. They have a different timeline. Many of them are not in this for the long term. They claim poverty, so the challenge of helping them understand the importance and the value of this work is more difficult. This doesn't mean that there aren't juniors that are actually working in a very progressive and forward-looking way, but there are also those that are in for the quick win.

That is where our challenge is.

•(1350)

Mr. Peter Fragiskatos: That's helpful in terms of narrowing the focus on something specific within the private sector, as far as where concerns currently lie.

In the handout here I read that spending by Canadian extractive firms in Latin America on local salaries, purchases from local businesses, local taxes and royalties, is vastly in excess of Canada's total worldwide development assistance spending.

Could you go into that, Mr. McMullen? We're talking about a real development contribution that's being made here.

Mr. Duane McMullen: Right, and that's just math, and you pull these from the annual reports of the companies and so on. It illustrates that they are a huge multiplier for Canadian policy objectives in the region, whether that's for good or for bad. We would be wise, and it's a focus of our policy, to work with the Canadian mining companies, to use them as a lever and a very powerful tool to help in the ongoing development of effective institutions in Latin America that can provide security, can provide protection for human rights, as well as the economic benefits.

Mr. Peter Fragiskatos: Okay.

Mr. Duane McMullen: As we mentioned earlier, there are 930 Canadian projects in Latin America alone and that's a huge number. It's very hard to go and look and see every single project on any kind of consistent, sustained basis. That is one of the challenges of our policy. We need to help the companies understand how they can do the right thing, even if we aren't necessarily directly watching them.

Mr. Peter Fragiskatos: I take your point on what you said before about resources and perhaps a need for greater resources in order to expand the important work that is being done.

I'll go to my last question on this. We're the only country in the world to have this type of an office. I think you mentioned, when Ms. Hardcastle posed a question to you, that we've been approached by other countries soliciting advice on how they can create similar efforts. Is that correct?

Mr. Duane McMullen: Right. We've been approached by several countries—

The Chair: Mr. McMullen, if you can answer this in 30 seconds or less, that would be great because we have to squeeze one more question in.

Mr. Duane McMullen: —about our sanction, about our publicly naming a company as not acting in good faith and why, and what they have to do to fix it, and how until they fix it they are not eligible for Canadian diplomatic support. That's a great curiosity to many countries.

The Chair: Thank you.

We'll now move to MP Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair, and thank you to our witnesses for being here today.

I just wanted to quote from a September 2015 letter from the Liberal Party to the CNCA where it said a Liberal government will set up an independent ombudsman office to advise Canadian companies, consider complaints made against them, and investigate those complaints where it's deemed warranted. What signal has this government sent to you that they're going to keep that promise?

Mr. Duane McMullen: We are aware of that platform commitment.

Mr. David Anderson: So are we.

•(1355)

Mr. Duane McMullen: We have provided a range of advice to our minister on options to implement that recommendation. I know the minister is continuing to actively consult with stakeholders before making a decision.

Mr. David Anderson: So you're telling me you've had no signal back from them other than interest in you presenting options to them. Okay, thank you.

We continually hear from civil society organizations. They have the stats on the attacks and injuries and deaths around some of these projects, or whatever, but when we read your report today and some of the comments from Mr. Davidson, it seems as though you're fairly comfortable with the role that Canadian companies are playing in South America. I think you said only one company has been sanctioned. Could you try to square that circle for me?

There's a list of deaths and injuries around certain projects and the organizations blame the companies, but it seems you're saying that's not actually accurate. Could you help me out with that?

Mr. Duane McMullen: Sure. Maybe I can answer by trying to give some numbers that will provide a sense of the issue from our perspective as people who are trying to have an impact in the field.

I mentioned 930 Canadian mining projects in Latin America. There was a well-publicized report by people from the Osgoode Hall Law School last year that named nine projects with incidents from 2014 or later. That's nine out of the 930 projects that we're aware of. Of those nine incidents, one was a project sold to the Chinese in 2010, three were mineworkers or subcontractors who were extorted by armed gangs, two were arrests and violence from police breaking up roadblocks and blockades, one is of arrests in the death of a police officer and conflict between union and non-union workers, and so on. In no specific case was a specific allegation made against a Canadian company, nor did the report state that the Canadian company caused the incidents in question. Instead, the report referred to very complex and difficult cases in these nine projects.

Our role is to try to get to the bottom of how the various interacting factors are contributing to that. It's not a villain-victim situation necessarily. It's a situation that's broken, and how do we fix it? The companies often might not recognize it, but they are the ones that are best equipped and have the most resources.

Mr. David Anderson: In that context, I'll ask Mr. Davidson a question.

You released a report this summer on a 2016 visit to Honduras. The response from the civil society organizations was fairly direct and clear. Do you have a comment about the response to your report?

They basically said that you were wrong, that you had a fundamental lack of understanding in many areas, that there was a real problem with naming some of the organizations, and that you minimized the danger faced by human rights defenders in Honduras. Could you give us your response to their charges against your report?

Mr. Jeffrey Davidson: They referred to a number of observations I made, out of 36, or 30-plus, regarding what I saw in the country. They also referred to two or three paragraphs at the end of the report. I felt that in writing this report I had to speak to Canadian actors principally, and that if I was writing at the end and making suggestions or sharing thoughts with Canadian companies and with our own ambassadors and diplomatic staff in the field, I should also

try to talk about the role of Canadian development and advocacy NGOs.

In the Honduran context, which by my own admission is very complicated and not so easy to understand, from what I could tell, I felt that there could have been more constructive approaches than some that were taken. We tried to meet with both local NGOs and Canadian counterpart NGOs in the field. In some cases, our requests to meet and understand from their point of view what was going on were rejected in advance. That made it very difficult for us.

To be honest, I struggled with those few paragraphs. I spent days trying to figure out how I could shape this in a way that would not be totally negative or destructive, that would have some constructive impact, but would be honest. That's my response to that.

● (1400)

The Chair: Thank you very much. We're out of time. I see it's now just after two o'clock.

I want to thank all of our witnesses for being here today and for participating and starting the ball rolling on this study.

Thank you, colleagues.

With that, we shall adjourn.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <http://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante : <http://www.noscommunes.ca>